



Performance-Based Acquisition Working Group

*An Update on Issues
Identified and Next Steps*



Six Issues Identified

Government-Wide Policy Issues

1. Defining Performance-Based Contracting/Service Acquisition
2. Monitoring and Reporting Use of PBSA
3. Evaluating Cost Savings and Performance Improvements from PBSA

Agency Implementation Challenges

4. Defining Performance Standards and Baseline Costs in Individual Acquisitions
5. Making Past Performance and Best Value Determinations
6. Collecting Data and Managing Contract Performance



Issue 1.

Defining Performance-Based Contracting/Service Acquisition



Basic Elements of What Makes a Contract “Performance-Based”

- ✍ Solicits bids on the basis of what RESULTS you want achieved rather than what ACTIVITIES you want conducted
- ✍ Defines clear performance expectations and measures (baseline vs. expected results)
- ✍ Maximizes competition among bidders as the best means of achieving desired outcomes
- ✍ Provides incentives for performance
- ✍ Grants flexibility in exchange for accountability for results
- ✍ Is monitored to ensure performance is being achieved



The Importance of Defining PBC

- ✍ Major inconsistencies in how to define PBC and when to use PBC (GAO 2002 Report)
 - ✍ Inconsistencies “raise concern as to whether agencies have a good understanding of performance-based contracting and how to take full advantage of it.”
- ✍ Most existing PBC contracts are lacking one or more of the existing FAR criteria for PBC
 - ✍ Only 9 of 25 contracts studied by GAO reflected all FAR criteria



Proposed Revision to FAR Provisions on PBC

- ✍ Effort underway to revise FAR definition of PBC by Civilian and Defense FAR Councils
 - ✍ Use of SOOs *in addition to* SOWs
 - ✍ Allows objective or subjective measures
 - ✍ Incentive payments are discretionary, not mandatory
 - ✍ Quality Assurance Surveillance Plans related to dollar risk, using commercial practices



NEXT STEPS

✍ Review and Comment on the “Revision to the Revision”



Issue 2.

Monitoring and Reporting Use of PBSA



Current Guidelines

- ✍ Government-wide goal of 40% (down from 50%)
- ✍ Designate contracts as PBSAs where more than 50% of requirements are performance-based (vs. 80%)
- ✍ Source of data: FPDS or individual agency reports



Types of Contracts vs. Services/Functions Contracted

Contract Types

- ✍ Firm Fixed Price
- ✍ CPIF or CPAF
- ✍ CPFF or Time & Materials
- ✍ Indefinite Quantity Contract (IQC)

Services/Functions

- ✍ Information Technology
- ✍ Finance
- ✍ Human Resources
- ✍ Logistics
- ✍ Research/Science
- ✍ Etc.



NEXT STEPS

- ✍ Identify what CURRENT data is available on contract type and function (FPDS)
- ✍ Propose refinements in government-wide reporting for improved accountability and analysis in the future



Issue 3.

Evaluating Cost Savings and Performance Improvements from PBSA



A Myriad of Benefits Identified

- ✍ Increased likelihood of meeting mission needs
- ✍ Focus on intended results, not process
- ✍ Better value and enhanced performance
- ✍ Less performance risk
- ✍ No detailed specification or process description needed
- ✍ Contractor flexibility in proposing solution
- ✍ Better competition: not just contractors, but solutions
- ✍ Contractor buy-in and shared interests
- ✍ Shared incentives permit innovation and cost effectiveness
- ✍ Less likelihood of a successful protest
- ✍ Surveillance: less frequent, more meaningful
- ✍ Results documented for Government Performance and Results Act reporting, as by-product of acquisition
- ✍ Variety of solutions from which to choose



1998 OFPP Study

- ✍ 26 Contracts from 15 Agencies
- ✍ \$585 Million in net award value (range from \$100,000 to \$325m)
- ✍ Contract Price Impact: 15% cost savings
- ✍ Customer Satisfaction: 18% increase (3.3 to 3.9 on 5 pt. scale)
- ✍ Contracting Efficiencies
 - ✍ Reduced 38 days of procurement lead time (237 vs 275)
 - ✍ Increased number of offers (from 5.3 to 7.3)
 - ✍ Decreased contract audits by 93%



NEXT STEPS

- ✍️ Affirm existing evidence-based and anecdotal data on PBSA benefits
- ✍️ Review OFPP “Center of Excellence” role in promoting tracking of successes and failures of PBSA (by contract and function type)



Issue 4.

Defining Performance Standards and Baseline Costs in Individual Acquisitions



Performance Measure Criteria “Think SMART”

 SPECIFIC

 MEASUREABLE

 ACCOUNTABLE

 RESULTS-ORIENTED (#1)

 TIME-BOUND

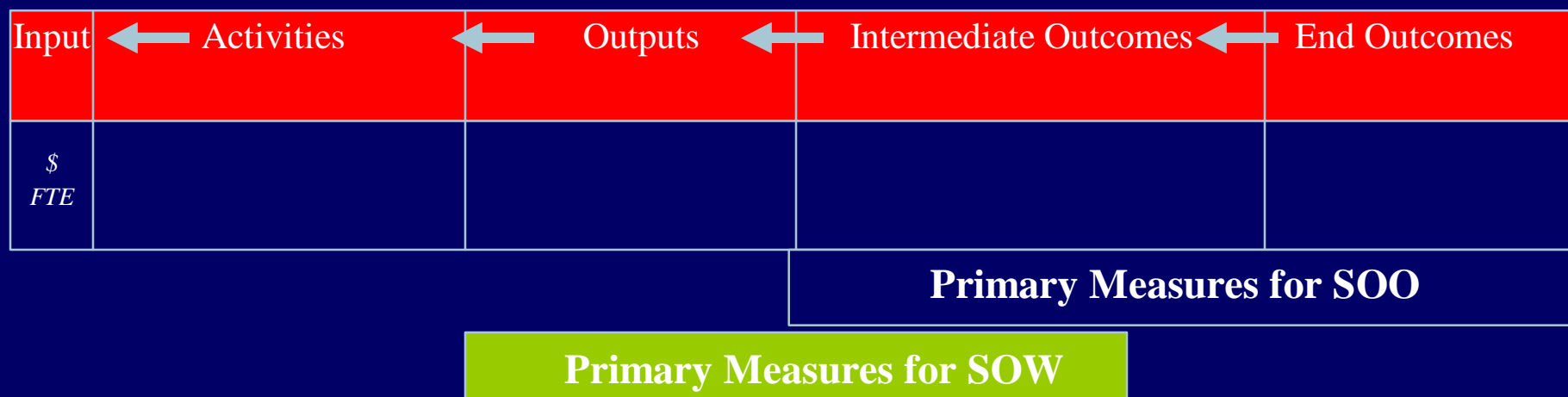


Issues to Consider When Selecting Performance Measures

- ✍ Role of Acquisition Staff vs. Program Staff in Defining Requirements
- ✍ SOW vs. SOO Approach to Identifying Measures
- ✍ Establishing a Baseline on Performance and Costs
- ✍ Using Industry Standards/Benchmarks
- ✍ Subjective vs. Objective: When and How to Use
- ✍ Avoiding Too Many Measures
- ✍ Maintaining “Wiggle Room” for Measure Revision
- ✍ Fair Allocation of Risk
- ✍ Overcoming Cultural Resistance to Outcome-Focus

Building a Performance-Based Contract

Seven Steps Using the Logic Model



- **Step 1: Establish the Contracting Team**
- **Step 2: Identify Scope and Anticipated End Outcomes**
- **Step 3: Examine Private-Sector and Public Sector Solutions**
- **Step 4: Select Performance Measures (Intermediate Outcomes, Outputs and Work Processes)**
- **Step 5: Develop a PWS or SOO**
- **Step 6: Select Contractor**
- **Step 7: Monitor and Manage Performance**



NEXT STEPS

- ✍ Solicit private sector and government testimony on ways to select performance and cost measures
- ✍ Consider affirmation of seven-steps or similar process



Issue 5. Making Past Performance and Best Value Determinations



Past Performance Evaluations

- ✍ A huge (untapped) aspect to PBSA
- ✍ If past performance data is not available, a) there's risk or b) perhaps PBC measures are off
- ✍ PPE may present barrier to PBSA if too rigidly implemented (barrier for small businesses, start-ups, incompatible comparisons, etc.)
- ✍ Alternatives to consider: expanded definition of what constitutes "past performance" (criteria-based); government-wide certification or standards on broad capabilities; review of bidders' experience in performance/quality management; past performance as a risk assessment as opposed to a weighted, scored factor, particularly in a best value procurement



Best Value Comparisons

- ✍ Development of “best value” criteria in PBSA is a challenge



NEXT STEPS

- ✍ Solicit private sector and government testimony on use of past performance and best value
- ✍ Explore alternatives outlined to absolute past performance reviews
- ✍ Possibly refine criteria for “best value” in PBSA



Issue 6. Collecting Data and Managing Contract Performance



Monitoring and Managing

- ✍ PBSA is more performance **management** in addition to performance **measurement**
- ✍ Managing Performance Data
 - ✍ Data collection imposes costs on vendors
 - ✍ Data analysis and tracking tasks for agency require new capacities
- ✍ Incentives for Performance
 - ✍ Financial vs. non-financial (when and how)
- ✍ Correcting Poor Performance
 - ✍ Early warning systems
 - ✍ Flexibilities vs. managing government risk
- ✍ Learning and Leveraging
 - ✍ Revising performance targets and measures based on experience



NEXT STEPS

- ✍ Solicit private sector and government testimony on ways to monitor and manage contract performance
- ✍ Examine infrastructure issues in agencies to manage data and monitor contracts



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